

**Joint Legislative Budget Committee
Staff Memorandum**

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DATE: December 8, 2005

TO: Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Assistant Director

SUBJECT: STATE FUNDS REPORT

A.R.S. § 41-1273 requires the JLBC Staff to make recommendations to the Joint Legislative Budget Committee by November 1 of each odd-numbered years on:

- the elimination of not more than 7% of the total number of state funds, and
- the conversion to appropriated status of not more than 7% of the dollar value of all state non-appropriated funds.

Eliminating or Consolidating Funds

In reviewing the state's current fund structure, we have determined that there are approximately 809 separate funds. This figure is based on the number of funds in the Arizona Department of Administration (ADOA) accounting system. As a result, we are required to recommend the elimination or consolidation of no more than 57 funds (7%).

ADOA's list of funds included 127 funds described as "inactive" in the state's accounting system. We asked state agencies with "inactive" funds to comment on whether those funds could be eliminated. Based on their input, 118 funds can be eliminated (although this is technically higher than the 7% cap). Attachment A includes a list of the 118 funds.

Converting Funds to Appropriated Status

In terms of expenditures, the total dollar value of Non-Appropriated Funds (including federal Title XIX dollars) is \$12.8 billion in FY 2006. The list of these expenditures by agency appears in the *FY 2006 Appropriations Report*.

Unlike the elimination of obsolete funds, the Staff does not have a technical recommendation for appropriating new funds.

In considering this policy matter, the Legislature may want to start by reviewing the non-appropriated funds with the largest dollar value. For your information, we have provided a list of

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the largest non-appropriated funds with the latest estimate of FY 2006 expenditures (Attachment B). These 32 funds, with annual expenditures greater than \$20 million, constitute about 96% of the \$12.8 billion in non-appropriated expenditures. Some of these, such as the Maricopa ½ cent transportation sales tax, are “custodial” monies held by the state on behalf of another party.

We apologize for the late transmittal of this report. Staffing changes in our office prevented us from completing this report in a timely manner.

Please let us know if you have any questions about the report.

SSH:ym
Attachment

***RECOMMENDATIONS TO
ELIMINATE OR CONSOLIDATE
UP TO 7% OF ALL FUNDS***

Attachment A

<u>BUDGET UNITS</u>	<u>FUND #</u>	<u>FUND TITLE</u>
Statewide	2401	VENDOR SERVICES FUND
	9997	UNCLAIMED PROPERTY
Administration, Department of	1001	CAPITAL PROJECTS STABILIZATION
	2158	FEDERAL REVENUE SHARING
	2243	WORKERS COMPENSATION LOSS CONTROL
	2303	DOA LOSS CONTROL PROJECTS
	4206	ADMIN - TELECOMMUNICATIONS
	4218	WORKER'S COMPENSATION FUND
Agriculture, Department of	2003	AGRICULTURE & HORTICULTURE
	2008	BEEF COUNCIL OF ARIZONA
	2145	YUMA COUNTY CITRUS PEST CONTROL
	2344	EQUINE MAINTENANCE FUND
AHCCCS	2222	LONG-TERM CARE REINSURANCE
	3019	LONG-TERM CARE THIRD PARTY LIABILITY
Attorney General	2021	PUBLIC ACCOMMODATIONS
	3790	STATE GRAND JURY FUND
Boxing Commission	2004	BOXING COMMISSION
Building and Fire Safety, Department of	3724	MANUFACTURED HOUSING SUSPENSE
Commerce, Department of	1020	COMMERCE AND SOLAR ENERGY FUND
	2324	SOLAR QUALITY ASSURANCE
	3000	MINORITY BUSINESS FUND
	4217	WORD PROCESSING
Commission on Arizona Environment	2210	COMMISSION ON ARIZONA REVOLVING
	3002	SPECIAL DONATIONS
Corporation Commission	3154	TREASURER'S ABANDONED PROPERTY
	3726	CORPORATION COMMISSION SECURITY CLEARING
Court of Appeals – Division I	2086	STATE FUNDS
Court of Appeals – Division II	2072	STATE FUNDS
Criminal Justice Commission, Arizona	2199	VICTIMS ASSISTANCE FUND

Economic Security, Department of	1011	SUMMER YOUTH PROGRAM
	1012	PROJECT INTERVENTION
	1018	DES ADMIN ADJUSTMENT
	1023	ARIZONA FULL EMPLOYMENT DEMO PROJECT FUND
	2305	TEMP ASSIST FOR NEEDY FAMILIES STABILIZATION
	2347	RATE PAYER ASSISTANCE
	2418	TECHNOLOGY SYSTEM FUND CAPS
	2501	JTPA WIRE TRANSFER
	3186	DES FLOOD RELIEF
	3195	CHILD SUPPORT ENFORCEMENT
	3202	PRIVATE DONATION, RESOURCE DEVELOPMENT
Education, Department of	1005	PERMANENT SPECIAL ED INSTITUTIONAL VOUCHER
	1008	TUITION FUND
	2101	AT RISK PRESCHOOL PILOT
	2302	ENVIRONMENTAL EDUCATION
	2354	ENVIRONMENTAL NUMBER PLATE FUND
Environmental Quality, Department of	3003	CIRCLE K SETTLEMENT FUND
Equal Opportunity, Governor's Office of	2241	EQUAL EMPLOYMENT AND ECONOMIC DEVELOPMENT
Game and Fish Department	3100	GAME & FISH DONATIONS
Geological Survey, Arizona	2233	GEOLOGICAL SURVEY PRINTING
	2800	STATE GRANTS
	3704	OIL & GAS DRILLING BOND
Health Services, Department of	2063	DHS SANITARIANS
	2161	CHILD ABUSE PREVENTION FUND
	2208	RESIDENCY TRAINING FUND
	2318	ALCOHOL & DRUG ABUSE SERVICES
	2581	AZ SPECIAL FOOD PROGRAMS
	3115	STATE HOSPITAL
	3116	MENTAL HEALTH CENTER SOUTHERN ARIZONA
	3716	DHS PASS-THROUGH
	4207	STATE HOSPITAL ENTERPRISE FUND
Industrial Commission of Arizona	3303	INDUSTRIAL COMMISSION EMPLOYMENT
Insurance, Department of	2092	SMALL EMPLOYER REINSURANCE FUND
	2121	INSURANCE JOINT GUARANTY
	2216	INSURANCE COMPUTER SYSTEM
	3719	AUTO INSURANCE CANCEL SUSPENSE FUND
Juvenile Corrections, Department of	3735	SPECIAL SERVICES FUND

Land Department, State	2189	FIRE SUPPRESSION FUND
	2195	COOPERATIVE FIRE CONTROL PROGRAM FUND
	2220	ZONING APPLICATION FEES
	2248	SPECIAL LEGAL ADVERTISING
	3733	LAND – ADVERTISING/APPRaisal
Library, Archives, and Public Records, Arizona Department of	3149	LIBRARY/ARCHIVES DONATIONS
Parks Board, State	1024	PARKS BOARD IGA FUND
	2109	WATER RESOURCE GF WATER FILING
	2123	ADMINISTRATIVE SURCHARGE
	2262	TRAILS FUND
Public Safety, Department of	2187	DPS LUXURY TAX CONTROLLED SUBSTANCE
Real Estate, Department of	2257	HOUSING TRUST FUND
Revenue, Department of	2194	BINGO ADMINISTRATION FUND
	2334	ILLEGAL INCOME FUND
	3717	PROPERTY TAX RELIEF FUND
Structural Pest Control Commission	2039	PEST INSPECTION SUPPORT
	2147	STRUCTURAL PEST – FEDERAL GRANT
Transportation, Department of	2040	MOBILE HOME ADMISTRATION
	2094	ADOT MOTORCYCLE EDUCATION
	2250	NUMBER PLATE REPLACEMENT FUND
	2251	DRIVER’S LICENSE FUND
	2284	CARGO TANK ADMINISTRATION
	2291	CRIMINAL BACKGROUND INVESTIGATION
	2293	ADOT-PIMA REGIONAL-AREA ROAD FUND
	3731	SPECIAL PLATE FUND
	3800	BOND PROCEEDS
	3801	ADOT BOND PROCEEDS – 90
	3802	ADOT BOND PROCEEDS M/RARF 91A
	3804	ADOT BOND PROCEEDS M/RARF (SERIES 1992B)
	3806	ADOT BOND PROCEEDS M/RARF (SERIES 1993)
	3915	HURF BOND PROCEEDS, 1991A
Treasurer, State	1404	MCFARLAND MEMORIAL FUND
	2188	TREASURER – SACVE
	3012	TREASURER’S ARBITRAGE EARNINGS ADMIN
	3308	MINERS HOSPITAL LAND 1929
	3703	DESERT STORM MEMORIAL FUND
	3749	COUNTY LONG-TERM CARE FUND
	3750	SCHOOL DISTRICT HOUSING FACILITY FUND
	3752	COUNTY REIMBURSEMENT CONTROL
	3753	EAST MARICOPA FLOODWAY
	3797	SRPMIC CITY EXCHANGE TRUST

Board of Regents, Arizona	2100	STATE POSTSECONDARY REVIEW PROGRAM-SPRE
	2139	REGENTS POSTSECONDARY LOCAL
	2252	TELECOM STUDY FUND
	3184	UNIVERSITIES LAND FUND MATCHING GRANT
	3185	UNIVERSITY LAND BASE FUND
Veterans' Services, Department of	2167	VETERANS' CEMETERY
	3208	VETERANS' FIDUCIARY
Water Resources, Department of	2135	WATER RESOURCES GROUNDWATER ENFORCEMENT
	2219	NON-EMERGENCY REPAIR
	3101	SURFACE & GROUNDWATER TRUST
	3319	WATER RESOURCES FLOOD CONTROL LOAN

LARGEST NON-APPROPRIATED FUNDS

Attachment B

<u>Agency</u>	<u>Fund</u> ^{1/}	FY06 Estimated Expenditures
Various Agencies	Federal Funds (Includes Title XIX) ^{2/}	\$7,327,553,300
Universities	Non-Appropriated Funds (Tuition, Enterprise, Donations) (NA)	1,142,641,200
ADOA	State Employee Health Insurance (ITA3015)	519,470,800
State Compensation	State Compensation (TRA9002)	468,500,000
ADE	Classroom Site (EDA2471)	376,235,400
ADOT	Maricopa Regional Area Road (DTA2029)	328,407,600
Lottery	State Lottery Prizes (LOA2122)	306,900,000
AHCCCS	County Title XIX Match (HCA2120/HCA2223)	281,373,800
DES	Unemployment Insurance (TRA9005)	275,000,000
ASRS	State Retirement System Admin. - Non-Appropriated (RSA1407)	187,880,800
DEQ	Clean Water Revolving (EVA2254)	119,041,500
ADE	Proposition 301 - Non-Classroom Site (NA) ^{3/}	103,218,200
AHCCCS	Tobacco Settlement (HCA2468) ^{3/}	89,553,200
SFB	School Improvement Revenue Bond Debt Service (SFA5020)	65,805,000
AHCCCS	Health Care Group Medical Premiums (HCA3197)	62,509,200
DEQ	Drinking Water Revolving (EVA2307)	59,261,600
AHCCCS	Proposition 204 Protection Account ^{3/}	58,638,000
ADOT	Highway Expansion & Extension Loan Program (DTA2417)	54,745,000
Industrial Commission	Special (ICA9003)	52,136,300
ADOT	Local Agency Deposits (DTA3701)	42,940,000
DEQ	Underground Storage Tank (UST) (EVA2271)	41,964,400
DHS	County Contributions (HSA2144)	38,857,900
DHS	Agreements/IGA (HSA2144/HSA2500)	35,766,900
ADOA	Certificate of Participation (ADA5005)	34,852,100
Commerce	Job Training (EPA1237)	34,783,700
ADOA	Emergency Telecommunication Services (ADA2176)	34,681,600
ADE	Instructional Improvement (EDA2492) ^{3/}	34,477,600
ADOA	State Non-Health Benefits (ITA3035)	31,600,000
DOC	Arizona Correctional Industries Revolving (DCA4002)	29,014,000
DHS	Tobacco Tax – Health Education Account (HSA1308) ^{3/}	27,674,100
Power Authority	Hoover Upgrading (NA)	27,438,700
Housing	Housing Trust (HDA2235)	22,998,100
Total – Federal Funds		\$7,327,553,300
Total – Other Funds ^{4/}		\$4,988,366,700

^{1/} Brief explanation of each fund follows this table.

^{2/} Excludes federal Temporary Assistance for Needy Families (TANF) Block Grant and other appropriated federal funds

^{3/} Funds subject to Proposition 105 voter protection requirements.

^{4/} Includes only Non-Appropriated Funds with annual expenditures greater than \$20 million.

NARRATIVE SUMMARY OF LARGEST NON-APPROPRIATED FUNDS

FEDERAL — Includes \$4.2 billion in Title XIX monies.

UNIVERSITY — Non-Appropriated Funds - Includes 3 University Funds: Auxiliary, Designated, and Restricted. Auxiliary Funds consist of monies collected from sales and services from substantially self-supporting activities such as residence halls, food services, bookstores, and intercollegiate athletics. Designated Funds consist of tuition and fees retained by the universities, summer session fees, administrative costs of student aid, and unrestricted gifts. Restricted Funds include grants from private donors and non-federal agencies.

ADOA — State Employee Health Insurance - Consists of employer and employee medical and dental insurance contributions.

STATE COMPENSATION — State Compensation Fund - Consists of worker's compensation insurance premiums that are used to insure employers against liability for workers' compensation.

ADE — Classroom Site – Consists of monies from a 0.6% sales tax enacted by Proposition 301 (2000 General Election) and growth in the Permanent State School Fund expendable earnings. Monies are used to provide additional funding for teacher compensation increases based on performance (40%), teach base salary increases (20%), and class size reduction, AIMS intervention programs, teacher development, dropout prevention, and teacher liability insurance premiums (40%).

ADOT — Maricopa Regional Area Road - Consists of all transportation sales taxes collected pursuant to A.R.S. § 42-1482 and A.R.S. § 42-1482.01 for highway construction.

LOTTERY — State Lottery Prizes - Contains state lottery prize monies.

AHCCCS — County Title XIX Match - Statutorily prescribed county contributions for acute medical and long-term care services to AHCCCS eligible populations. These monies combined with state General Fund monies serve as the state match for federal Medicaid (Title XIX) dollars.

DES — Unemployment Insurance - Employer contributions and interest earnings used for payment of future unemployment benefits and refunds.

ASRS — State Retirement System Administration - Non-Appropriated - Finances ASRS administrative expenses, including investment management fees and related consulting fees deemed necessary by the Investment Advisory Council. Also includes insurance premiums paid from retiree benefits.

DEQ — Clean Water Revolving – Consists of monies received from legislative appropriations, bond proceeds, loan repayments, and federal capitalization grants. The monies are used to make loans and facilitate debt refinancing for capital improvements at wastewater treatment facilities.

ADE — Proposition 301 - Non-Classroom Site - Monies appropriated by Proposition 301 for additional school days, School Safety, and Character Education and carry-forward monies from the school accountability program.

AHCCCS — Tobacco Settlement – Consists of monies received from the Tobacco Litigation Master Settlement Agreement, and pursuant to Proposition 204 are used to expand the AHCCCS program to 100% of the Federal Poverty Level and, if monies are available, for Public Health programs within DHS.

SFB — School Improvement Revenue Bond Debt Service - Consists of monies from a 0.6% sales tax enacted by Proposition 301 (2000 General Election) that are used to pay the debt service on \$800,000,000 in State School Improvement Revenue Bonds.

AHCCCS — Health Care Group Medical Premiums – Consists of premiums paid by employers and employees enrolled in Health Care Group, which is AHCCCS’ health insurance plan for small businesses.

DEQ — Drinking Water Revolving – Consists of monies received from legislative appropriations, bond proceeds, loan repayments, and federal capitalization grants. The monies are used to make loans to drinking water facilities of political subdivisions and Indian tribes. The Water Infrastructure Finance Authority administers the fund.

AHCCCS — Proposition 204 Protection Account – Consists of Tobacco Tax revenue, and is directed to pay for the Proposition 204 AHCCCS expansion.

ADOT — Highway Expansion & Extension Loan Program - Constitutes a state infrastructure bank under the Federal State Infrastructure Bank Act to provide financial assistance to political subdivisions, Indian tribes and state agencies for eligible transportation projects.

Industrial Commission — Special - Investment earnings, rent, reimbursement from employers and assessments. Monies are used to provide medical benefits, compensation benefits, vocational rehabilitation, and benefits on claims against uninsured employers and insolvent insurance carriers.

ADOT — Local Agency Deposits – Monies received from local jurisdictions used to pay for locally sponsored secondary road construction projects.

DEQ — Underground Storage Tank (UST) - Consists of excise tax revenue (\$0.01/gallon tax on gasoline) and provides partial coverage of corrective actions to underground storage tanks.

DHS — County Contributions - Consists of Maricopa and Pima Counties’ contributions for treating persons with behavioral health problems.

DHS — Agreements/IGA – Consists of monies received from other state and local entities in exchange for DHS provided services.

ADOA — Certificate of Participation – Consists of charges to state agencies for occupancy of space within building financed with lease-purchase agreements that are used to pay for the debt service of those agreements.

Commerce — Job Training - Monies paid by employers from 0.1% tax on first \$7,000 of an employee’s taxable wages. Monies are used to provide training and retraining for specific employment opportunities with new and expanding businesses or business undergoing economic conversion.

ADOA — Emergency Telecommunication Services Revolving - Receipts from the telecommunications services excise tax (up to 1.5% of gross sales) levied against month telephone bills. The monies are used to implement and operate emergency telecommunication services (911) through political subdivisions.

ADE — Instructional Improvement - Receives 56% of total shared revenue from Proposition 202 from the 2002 General Election (Indian gaming).

ADOA — State Non-Health Benefits - Employer and employee contributions used to pay claims for state employee benefit plans other than health insurance.

DOC — Arizona Correctional Industries Revolving - Consists of monies received from the sale of Arizona Correctional Industries (ACI) goods and services, and are used to pay for ACI related operational costs.

DHS — Tobacco Tax – Health Education Account – Consists of a portion of the tax monies collected on tobacco products.

Power Authority — Hoover Uprating – Consists of monies from the sale of hydro-power from the Hoover Dam that are used to purchase energy (hydro-power) for Arizona Power Authority customers.

Housing — Housing Trust - Receives 55% of proceeds from the sale of unclaimed property. Monies are used for the provision of affordable housing opportunities to low- and moderate-income families.